

JANUARY 27, 1998, RSFA OUTREACH MEETING ON CHRONIC ERRONEOUS REPORTING

Mary Williams started off the meeting discussing the proposed chronic criteria for rejected lines. She stated that MMS wants to target the workload of rejected lines and the quality of the data that comprise the rejected lines. The overall error rate is at around 3 percent, but company error rates fluctuate from month to month.

One issue is that MMS can have a lot of lines to correct for a company even though their error rate is low. We are trying to encourage the line to come in right the first time.

Industry asked at what level will they be assessed - at the company level or the payor level? Mary advised them that the assessments will be at the payor code and operator code levels.

Mary stated that we eliminated data base errors from the chronic criteria because the PIF will probably be eliminated; therefore, data base errors will not be involved in the rejected lines calculation.

Industry asked if production and royalty errors will be calculated separately. Mary confirmed that they will be separate.

The rejected lines criteria was modified to reflect 3 consecutive processing months rather than any 3 processing months. It has to be the same reporting error for 3 consecutive processing months. For example, the payor continues to exceed the Indian royalty rate threshold or the production reports continue to have inventory problems.

Industry wanted a list of reporting errors to determine on which errors MMS wants to focus. Mary stated that while MMS will not provide a list of the errors, she would state that they are ones that fail the fatal edits; i.e., anything that doesn't allow the data to flow through the system.

Industry asked if the \$300 assessment was per error or per error message? Mary stated the \$300 per violation was per error message that exceed the threshold.

Industry asked MMS to do a trial run to let them know what is out there. Mary stated that each company gets an error report via the corrected lines report. The report is issued monthly as a confirmation of the corrections made between MMS and the company, as most errors require MMS to call the company for input to reach resolution.

Will MMS notify industry if they exceeded the threshold? In month 1 we would probably tell you that you exceeded the violation percent.

We are trying to avoid the use of NONC's since they are usually used for nonreporting situations.

Why is MMS using 3 months in their criteria? Many of the edits have been

in existence for a long time. Failure of lines to pass the edits delays distribution, prevents subsequent months from accepting (as in the case of inventory problems on production reports), etc. Once a company receives a violation, MMS will continue to monitor the company for the following year. (See the If/Then statement.)

The calculation will sum all rejected lines. Rejected lines are not AID specific, just reporter number specific.

Industry was concerned about their individual rejected lines numbers. Mary advised them to ask their people how many corrections they make over the phone. They receive the corrected lines report. Don't pay attention to the AID numbers. Look at the error messages.

Industry asked how turning up an edit from warning to fatal will affect them? Mary stated that if MMS turns up an edit, like quality measurement, we wouldn't include it in the calculation until we were sure the companies had enough time to adjust to the new fatal edit and modify their systems.

When will the rule be out? Mary stated that the target date for the proposed rule is the latter part of summer.

Discussion moved to the Proposed Chronic Criteria For Failure to Submit Reports or Correct Data; and Reporting Exceptions. Mary stated that with respect to the failure to submit reports or data requested, the violation concerns those cases where MMS has asked for the information but did not receive a response.

MMS removed the failure to convert to electronic reporting. We'll probably invoke a user fee if a company does not convert to some form of electronic reporting.

II. C. refers to valuation. There would be a notification process. You would be well aware of the reporting violation. An example of an error covered by this section would be if the quality measurement is out of range. This is critical because quality measurement impacts majority pricing.

II. D. considers errors on a property basis.

II. E. also considers errors on a property basis. In the case where an AFS/PAAS exception existed because there was an offshore reallocation, we will mitigate the exception if the timing of the reallocation created the exception. If the payor reported correctly per the first allocation and later receives a reallocation where the timing does not permit sufficient time to adjust royalties before exception processing detects an exception, we would mitigate the exception.

Solids will be included in the rule.

Audit is also included. If a problem is corrected through the audit period

but the same problem occurs in the next audit review, this will constitute a violation.

### III. Proposed Chronic Criteria For Underpayment of Royalties

III. A. Industry gave an example where a payor has paid for the responsible party even though they did not take the volume, only because the responsible party refused to pay. Under this AFS/PAAS criteria, they would get assessed and they feel they shouldn't in a case like this. MMS may need to mitigate in cases where the paying party is not the liable party.

III. C. Mary stressed that this section applies to cases where after the audit, the company is still underpaying royalties in the same manner. For under payments of \$1,000 or less, the daily assessment is \$10.00 and it starts from the next audit review until the time of correction. Audit may need to revise their letters to stress that they want prospective reporting corrected, too. This section does not concern valuation issues but issues related to reporting. The section does not address anything in an appeal status either.

Industry asked if the amount of the royalty payment is taken into consideration in the assessment. It is under III.

What about the situations where your violation occurs under both II. E. and III. A. (the AFS/PAAS criteria)? Say you have a partial move on revenue sources and additional royalties due on the same case - how would that be handled? MMS would assess under one of the 2 sections, not both.

Mary stated that there were about 30 companies that met the chronic criteria for rejected lines. Industry asked if MMS researched how many would fall under sections II. and III. Mary stated that we did not analyze the number of companies under II. and III.